

AMENDED IN ASSEMBLY APRIL 16, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1134

Introduced by Assembly Member Dymally

February 23, 2007

An act to add Chapter 12.9 (commencing with Section 7091) to Division 7 of Title 1 of the Government Code, to amend Section 128260 of the Health and Safety Code, and to amend Sections 17039 and 23036 of, and to add Sections 17052.16, 17053.16, 17053.17, 23612.3, 23612.5, and 23612.6 to, the Revenue and Taxation Code, relating to medical enterprise zones.

LEGISLATIVE COUNSEL'S DIGEST

AB 1134, as amended, Dymally. Medical enterprise zones: student loans: tax credits.

(1) Existing law authorizes the governing bodies of cities or counties to propose the designation of areas within their respective jurisdictions as enterprise zones based upon specified findings that those areas are depressed areas and in need of private sector investment. The Trade and Commerce Agency is authorized to designate not more than 25 enterprise zones within the state based on its determination that the zones propose the most effective, innovative, and comprehensive regulatory, tax, program, and other incentives in attracting private sector investment in the zones proposed.

This bill would require the California Healthcare Workforce Policy Commission of the Office of Statewide Health Planning and Development to designate 10 medical enterprise zones that are medically underserved areas, as defined.

(2) Existing law establishes the Health Education and Academic Loan Act. Under the act a medical student or person in a primary care residency training program is eligible for loan assistance if they enter into certain conditions, an applicant will receive priority if they agree to provide primary care services for a minimum of 3 years in a medically underserved designated shortage area, as defined.

This bill would amend the definition of a medically underserved designated shortage area to include an area designated a medical enterprise zone by the Health Manpower Commission.

(3) The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would authorize a credit against those taxes for each taxable year beginning on or after January 1, 2008, in an amount equal to 100% of the amount paid or incurred during the taxable year for sales and use taxes paid or incurred by the taxpayer in connection with the purchase of medical equipment, up to a ~~value of \$1,000,000~~ *specified value*, that is used exclusively in a medical enterprise zone.

The bill would also authorize a credit against those taxes for each taxable year beginning on or after January 1, 2008, in an amount equal to various specified percentages of the amount paid or incurred during the taxable year for hiring a health care professional whose services were performed in a medical enterprise zone.

The bill would additionally authorize a credit against those taxes for each taxable year beginning on or after January 1, 2008, in an amount equal to ____% of the qualified amount, as defined, for the support of a qualified primary care residency training program.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 12.9 (commencing with Section 7091)
2 is added to Division 7 of Title 1 of the Government Code, to read:

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CHAPTER 12.9. MEDICAL ENTERPRISE ZONES

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7091. The Legislature finds and declares that the health, safety, and welfare of the people of California depend upon the development, stability, and expansion of private business, industry, primary health care, and commerce, and that there are certain areas

1 within the state that are economically depressed and medically
2 underserved due to a lack of investment in the private sector.
3 Therefore, it is declared to be the purpose of this act to stimulate
4 business, primary health care, and industrial growth in the
5 depressed areas of the state by relaxing regulatory controls that
6 impede private investment.

7 The Legislature further finds and declares that nothing in this
8 chapter shall be construed to infringe upon regulations relating to
9 civil rights, equal employment rights, equal opportunity rights, or
10 fair housing rights of any person.

11 The Legislature further finds and declares that no medical
12 enterprise zone shall be designated in which any boundary thereof
13 is drawn in such a manner as to include larger stable businesses,
14 areas with a sufficient supply of health care professionals, or
15 heavily residential areas to the detriment of areas that are truly
16 economically depressed and medically underserved.

17 7092. For purposes of this ~~article~~ *chapter*:

18 (a) “Governing body” means a county board of supervisors or
19 a city council, as appropriate.

20 (b) “Eligible area” means a geographic area meeting the criteria
21 described in Section 7093.

22 (c) “Health professional shortage area” means an area
23 designated to be a primary care health professional shortage area
24 by the federal Department of Health and Human Services pursuant
25 to Part 5 (commencing with Section 5.1) of Title 42 of the Code
26 of Federal Regulations.

27 (d) “Medical enterprise zone” means any area within a city,
28 county, or city and county that is designated as such by the ~~Health~~
29 ~~Manpower~~ *Healthcare Workforce* Policy Commission in
30 accordance with Section 7093.

31 (e) “Commission” means the California Healthcare Workforce
32 Policy Commission of the Office of Statewide Health Planning
33 and Development.

34 (f) “Taxpayer” means an individual or entity that receives a
35 tax credit pursuant to Section 17052.16, 17053.16, 17053.17,
36 23612.3, 23612.5, or 23612.6 of the Revenue and Taxation Code.

37 7093. (a) The governing body of a city or county may, either
38 by ordinance or resolution, propose an eligible area plus one
39 commercial or industrial area or both within its respective
40 jurisdiction as the geographic area for a medical enterprise zone.

1 ~~A county may propose an area within the unincorporated area as~~
2 ~~the geographic area for a medical enterprise zone, but shall not~~
3 ~~propose an area within an incorporated area unless this area is~~
4 ~~designated as a health professional shortage area. This proposed~~
5 ~~geographic area shall be based upon findings by the governing~~
6 ~~body that the area is a depressed area or within a health professional~~
7 ~~shortage area; or a medically underserved area, that the area is~~
8 ~~in an enterprise zone, and that the designation as a medical~~
9 ~~enterprise zone is necessary in order to assist in attracting private~~
10 ~~sector investment in the area. The city or county shall establish~~
11 ~~definitive boundaries for the area to be included in the application~~
12 ~~for designation and, if designated by the agency or the commission,~~
13 ~~the designation shall be binding for a period of 15 years.~~

14 ~~(b) Following the application for designation of a medical~~
15 ~~enterprise zone by a city or county, the governing body shall apply~~

16 ~~(b) The governing body may apply to the commission for~~
17 ~~designation to designate, as a medical enterprise zone, an area~~
18 ~~within the governing body's jurisdiction. The commission shall~~
19 ~~adopt regulations and guidelines concerning the necessary contents~~
20 ~~of each application for designation. The commission shall refer to~~
21 ~~criteria and regulations specified by the federal Department of~~
22 ~~Health and Human Services contained in Part 5 (commencing with~~
23 ~~Section 5.1) of Title 42 of the Code of Federal Regulations~~
24 ~~regarding designation of health professional shortage areas.~~

25 ~~(c) Any city, county, or city and county with an eligible area~~
26 ~~within its jurisdiction may complete a preliminary application. A~~
27 ~~maximum of 20 preliminary applications may be chosen each year~~
28 ~~to complete a final application.~~

29 ~~(d) (1) From the applications received, the commission shall~~
30 ~~designate 10 medical enterprise zones by December 1, 2008.~~

31 ~~(2) The commission shall develop, maintain, and provide a~~
32 ~~complete description of the areas included within each medical~~
33 ~~enterprise zone to the Employment Development Department, the~~
34 ~~Minority Health Professions Education Foundation, and any other~~
35 ~~individual or state agency that requests it.~~

36 ~~(3) Taxpayers providing primary care services in medical~~
37 ~~enterprise zones shall present to the commission information about~~
38 ~~his or her programs three years following the establishment of the~~
39 ~~taxpayer's business within a medical enterprise zone and every~~

1 three years thereafter. This information shall include, but is not
2 limited to, the following:

3 ~~(A) Change in the utilization of emergency room facilities in~~
4 ~~neighborhoods served by the taxpayer's services.~~

5 ~~(B) Change in the utilization of primary care medical facilities~~
6 ~~in neighborhoods served by the taxpayer's service.~~

7 ~~(C) The cost of providing primary health care services to~~
8 ~~families in neighborhoods served by the taxpayer's services.~~

9 *(A) Records of success in the use of disease registries in*
10 *improving the health of the taxpayer's chronically ill patients.*

11 *(B) Quantifiable evidence that the use of electronic medical*
12 *records has improved patient health.*

13 *(C) Quantifiable evidence that the taxpayer's practice of primary*
14 *care medicine has improved access to primary care services within*
15 *the medical enterprise zone.*

16 *(D) Quantifiable evidence that the taxpayer's practice in the*
17 *medical enterprise zone has improved other preventative and*
18 *primary care services.*

19 (4) The commission shall evaluate the information required by
20 paragraph (3) and shall consider it in subsequent recommendations
21 on applications for medical enterprise zone status. The individual
22 taxpayer's business shall be considered a success if in the
23 neighborhoods served by the taxpayer's primary care services any
24 of the following conditions occur:

25 ~~(A) There is a decrease in the use of emergency room services.~~

26 ~~(B) There is an increase in the utilization of primary care~~
27 ~~services.~~

28 ~~(C) There is clear evidence that families have received expanded~~
29 ~~health services without an increase in per capita health costs.~~

30 ~~(e) In designating enterprise zones, the commission shall select~~
31 ~~from the applications submitted those proposed medical enterprise~~
32 ~~zones which, based on those applications, meet, to the extent~~
33 ~~possible, the following criteria:~~

34 ~~(1) Those proposed medical enterprise zones which, upon a~~
35 ~~comparison of all of the applications submitted, indicate that they~~
36 ~~propose the most effective, innovative, and comprehensive~~
37 ~~regulatory, tax, program, and other incentives in attracting primary~~
38 ~~health care professional investment in the zone proposed.~~

1 (A) *There is quantifiable evidence of success in the use of*
2 *disease registries in improving the health of the taxpayer's*
3 *chronically ill patients.*

4 (B) *There is quantifiable evidence that the use of electronic*
5 *medical records has improved patient health.*

6 (C) *There is quantifiable evidence that the taxpayer's practice*
7 *of primary care medicine has improved access to primary care*
8 *services within the medical enterprise zone.*

9 (D) *There is quantifiable evidence that the taxpayer's practice*
10 *in the medical enterprise zone has improved other preventative*
11 *and primary care services.*

12 (e) *In designating medical enterprise zones, the commission*
13 *shall give preference to those applications that, in comparison to*
14 *all of the applications submitted, propose the most effective,*
15 *innovative, and comprehensive regulatory, tax, and other incentives*
16 *in attracting primary health care professional investment.*

17 ~~(2) For purposes of this paragraph, regulatory incentives include,~~
18 *(1) For purposes of this subdivision, regulatory incentives*
19 *include, but are not limited to, all of the following:*

20 (A) *The suspension or relaxation of locally originated or*
21 *modified building codes, zoning laws, general development plans,*
22 *or rent controls.*

23 (B) *The elimination or reduction of fees for applications,*
24 *permits, and local government services.*

25 (C) *The establishment of a streamlined permit process.*

26 ~~(3)~~
27 *(2) Tax incentives include, but are not limited to, the elimination*
28 *or reduction of construction taxes or business license taxes.*

29 ~~(4) The program and other incentives may include, but are not~~
30 *(3) Other incentives may include, but are not limited to, all of*
31 *the following:*

32 (A) *The provision or expansion of infrastructure; the targeting*
33 *of federal block grant moneys, including small cities, education,*
34 *and health and welfare block grants.*

35 (B) *The targeting of economic development grants and loan*
36 *moneys, including grant and loan moneys provided by the federal*
37 *Urban Development Action Grant program and the federal*
38 *Economic Development Administration.*

1 (C) The targeting of state and federal job disadvantaged and
2 vocational education grant moneys, including moneys provided
3 by the federal Job Partnership.

4 (D) The targeting of moneys provided by the Training Act of
5 1982.

6 (E) The targeting of federal and state transportation moneys.

7 (F) The targeting of federal or state low-income housing and
8 rental assistance moneys.

9 ~~(5)~~

10 (4) In the process of designating new zones, the commission
11 shall take into consideration the location of existing zones and
12 make every effort to locate new zones in a manner that will not
13 adversely affect any existing zones.

14 (f) In evaluating applications for designation, the commission
15 shall ensure that applications are not disqualified solely because
16 of technical deficiencies and shall provide applicants with an
17 opportunity to correct the deficiencies. Applications shall be
18 disqualified if the deficiencies are not corrected within two weeks
19 *of the applicant being notified of the deficiency.*

20 7094. (a) The commission shall design, develop, and make
21 available the applications and the criteria for selection of enterprise
22 zones, and shall adopt all regulations necessary to carry out this
23 article.

24 (b) The applications, selection criteria, and all necessary
25 regulations for designation shall be adopted and made available
26 not later than ~~250 days following the effective date of this article~~
27 *June 1, 2008.*

28 ~~(e) The commission may commence the designation of areas~~
29 ~~for the program on the effective date of the regulations described~~
30 ~~in subdivision (a) and shall complete those designations as~~
31 ~~expeditiously as practicable, but in no event later than four years~~
32 ~~from the effective date of this article.~~

33 ~~(d) The commission shall adopt regulations concerning the~~
34 ~~designation procedures and application process as emergency~~
35 ~~regulations in accordance with Chapter 3.5 (commencing with~~
36 ~~Section 11340) of Part 1 of Division 3 of Title 2. For the purpose~~
37 ~~of the Administrative Procedure Act, the adoption of the regulations~~
38 ~~shall be deemed to be an emergency and necessary for the~~
39 ~~immediate preservation of the public peace, health and safety, or~~
40 ~~general welfare, notwithstanding subdivision (e) of Section~~

~~11346.1. Notwithstanding subdivision (c) of Section 11346.1, the regulations shall not remain in effect more than 180 days unless the agency complies with all provisions of Chapter 3.5 as required by subdivision (c) of Section 11346.1.~~

7095. (a) A health facility located in a medical enterprise zone shall notify the commission and the Legislature at least 180 days prior to the date it intends to withdraw wholly or substantially from operating a facility or program, ~~like including~~ a primary care residency training program, ~~including a medical enterprise zone.~~

(b) (1) Upon receipt of the notice *required under subdivision (a)*, the commission shall request and review additional information, as deemed necessary, to determine the conditions in the medical enterprise zone and to determine whether health care may not become readily available in the medical enterprise zone if the facility or program is closed or substantially withdrawn. The commission shall submit a summary of its review to the Legislature within 60 days of receipt of notice from the health facility.

~~(2) The appropriate policy committee of the Assembly or committees of the Assembly and Senate shall conduct a joint public hearing on the proposed closure or withdrawal. The hearing shall be held within 60 days of the summary being submitted to the Legislature. If the summary is submitted when the Legislature is in recess, the hearing shall occur within 30 days of the Members convening.~~

SEC. 2. Section 128260 of the Health and Safety Code is amended to read:

128260. As used in this article, unless the context otherwise requires, the following definitions shall apply:

(a) “Commission” means the California Healthcare Workforce Policy Commission.

(b) “Director” means the Director of Statewide Health Planning and Development.

(c) “Medically underserved designated shortage area” means any of the following:

(1) An area designated by the commission as a critical health workforce shortage area.

(2) A medically underserved area, as designated by the United States Department of Health and Human Services.

(3) A critical workforce shortage area, as defined by the United States Department of Health and Human Services.

1 (4) An area designated as a medical enterprise zone pursuant
2 to Section 7093 of the Government Code.

3 (d) “Primary care physician” means a physician who has the
4 responsibility for providing initial and primary care to patients,
5 for maintaining the continuity of patient care, and for initiating
6 referral for care by other specialists. A primary care physician
7 shall be a board-certified or board-eligible general internist, general
8 pediatrician, general obstetrician-gynecologist, or family physician.

9 SEC. 3. Section 17039 of the Revenue and Taxation Code is
10 amended to read:

11 17039. (a) Notwithstanding any provision in this part to the
12 contrary, for the purposes of computing tax credits, the term “net
13 tax” means the tax imposed under either Section 17041 or 17048
14 plus the tax imposed under Section 17504 (relating to lump-sum
15 distributions) less the credits allowed by Section 17054 (relating
16 to personal exemption credits) and any amount imposed under
17 paragraph (1) of subdivision (d) and paragraph (1) of subdivision
18 (e) of Section 17560. Notwithstanding the preceding sentence, the
19 “net tax” shall not be less than the tax imposed under Section
20 17504 (relating to the separate tax on lump-sum distributions), if
21 any. Credits shall be allowed against “net tax” in the following
22 order:

23 (1) Credits that do not contain carryover or refundable
24 provisions, except those described in paragraphs (4) and (5).

25 (2) Credits that contain carryover provisions but do not contain
26 refundable provisions, except for those that are allowed to reduce
27 “net tax” below the tentative minimum tax, as defined by Section
28 17062.

29 (3) Credits that contain both carryover and refundable
30 provisions.

31 (4) The minimum tax credit allowed by Section 17063 (relating
32 to the alternative minimum tax).

33 (5) Credits that are allowed to reduce “net tax” below the
34 tentative minimum tax, as defined by Section 17062.

35 (6) Credits for taxes paid to other states allowed by Chapter 12
36 (commencing with Section 18001).

37 (7) Credits that contain refundable provisions but do not contain
38 carryover provisions.

39 The order within each paragraph shall be determined by the
40 Franchise Tax Board.

(b) Notwithstanding the provisions of Sections 17061 (relating to refunds pursuant to the Unemployment Insurance Code) and 19002 (relating to tax withholding), the credits provided in those sections shall be allowed in the order provided in paragraph (6) of subdivision (a).

(c) (1) Notwithstanding any other provision of this part, no tax credit shall reduce the tax imposed under Section 17041 or 17048 plus the tax imposed under Section 17504 (relating to the separate tax on lump-sum distributions) below the tentative minimum tax, as defined by Section 17062, except the following credits:

(A) The credit allowed by Section 17052.2 (relating to teacher retention tax credit).

(B) The credit allowed by former Section 17052.4 (relating to solar energy).

(C) The credit allowed by former Section 17052.5 (relating to solar energy, repealed on January 1, 1987).

(D) The credit allowed by former Section 17052.5 (relating to solar energy, repealed on December 1, 1994).

(E) The credit allowed by Section 17052.12 (relating to research expenses).

(F) The credit allowed by former Section 17052.13 (relating to sales and use tax credit).

(G) The credit allowed by former Section 17052.15 (relating to Los Angeles Revitalization Zone sales tax credit).

(H) The credit allowed by Section 17052.16 (relating to medical enterprise zone sales and use tax credit).

(I) The credit allowed by Section 17052.25 (relating to the adoption costs credit).

(J) The credit allowed by Section 17053.5 (relating to the renter's credit).

(K) The credit allowed by former Section 17053.8 (relating to enterprise zone hiring credit).

(L) The credit allowed by former Section 17053.10 (relating to Los Angeles Revitalization Zone hiring credit).

(M) The credit allowed by former Section 17053.11 (relating to program area hiring credit).

(N) For each taxable year beginning on or after January 1, 1994, the credit allowed by former Section 17053.17 (relating to Los Angeles Revitalization Zone hiring credit).

1 (O) The credit allowed by Section 17053.33 (relating to targeted
2 tax area sales or use tax credit).

3 (P) The credit allowed by Section 17053.34 (relating to targeted
4 tax area hiring credit).

5 (Q) The credit allowed by Section 17053.49 (relating to qualified
6 property).

7 (R) The credit allowed by Section 17053.70 (relating to
8 enterprise zone sales or use tax credit).

9 (S) The credit allowed by Section 17053.74 (relating to
10 enterprise zone hiring credit).

11 (T) The credit allowed by Section 17054 (relating to credits for
12 personal exemption).

13 (U) The credit allowed by Section 17054.5 (relating to the
14 credits for a qualified joint custody head of household and a
15 qualified taxpayer with a dependent parent).

16 (V) The credit allowed by Section 17054.7 (relating to the credit
17 for a senior head of household).

18 (W) The credit allowed by former Section 17057 (relating to
19 clinical testing expenses).

20 (X) The credit allowed by Section 17058 (relating to low-income
21 housing).

22 (Y) The credit allowed by Section 17061 (relating to refunds
23 pursuant to the Unemployment Insurance Code).

24 (Z) Credits for taxes paid to other states allowed by Chapter 12
25 (commencing with Section 18001).

26 (AA) The credit allowed by Section 19002 (relating to tax
27 withholding).

28 (2) Any credit that is partially or totally denied under paragraph
29 (1) shall be allowed to be carried over and applied to the net tax
30 in succeeding taxable years, if the provisions relating to that credit
31 include a provision to allow a carryover when that credit exceeds
32 the net tax.

33 (d) Unless otherwise provided, any remaining carryover of a
34 credit allowed by a section that has been repealed or made
35 inoperative shall continue to be allowed to be carried over under
36 the provisions of that section as it read immediately prior to being
37 repealed or becoming inoperative.

38 (e) (1) Unless otherwise provided, if two or more taxpayers
39 (other than husband and wife) share in costs that would be eligible
40 for a tax credit allowed under this part, each taxpayer shall be

1 eligible to receive the tax credit in proportion to his or her
2 respective share of the costs paid or incurred.

3 (2) In the case of a partnership, the credit shall be allocated
4 among the partners pursuant to a written partnership agreement in
5 accordance with Section 704 of the Internal Revenue Code, relating
6 to partner's distributive share.

7 (3) In the case of a husband and wife who file separate returns,
8 the credit may be taken by either or equally divided between them.

9 (f) Unless otherwise provided, in the case of a partnership, any
10 credit allowed by this part shall be computed at the partnership
11 level, and any limitation on the expenses qualifying for the credit
12 or limitation upon the amount of the credit shall be applied to the
13 partnership and to each partner.

14 (g) (1) With respect to any taxpayer that directly or indirectly
15 owns an interest in a business entity that is disregarded for tax
16 purposes pursuant to Section 23038 and any regulations thereunder,
17 the amount of any credit or credit carryforward allowable for any
18 taxable year attributable to the disregarded business entity shall
19 be limited in accordance with paragraphs (2) and (3).

20 (2) The amount of any credit otherwise allowed under this part,
21 including any credit carryover from prior years, that may be applied
22 to reduce the taxpayer's "net tax," as defined in subdivision (a),
23 for the taxable year shall be limited to an amount equal to the
24 excess of the taxpayer's regular tax (as defined in Section 17062),
25 determined by including income attributable to the disregarded
26 business entity that generated the credit or credit carryover, over
27 the taxpayer's regular tax (as defined in Section 17062), determined
28 by excluding the income attributable to that disregarded business
29 entity. No credit shall be allowed if the taxpayer's regular tax (as
30 defined in Section 17062), determined by including the income
31 attributable to the disregarded business entity, is less than the
32 taxpayer's regular tax (as defined in Section 17062), determined
33 by excluding the income attributable to the disregarded business
34 entity.

35 (3) If the amount of a credit allowed pursuant to the section
36 establishing the credit exceeds the amount allowable under this
37 subdivision in any taxable year, the excess amount may be carried
38 over to subsequent taxable years pursuant to subdivisions (c) and
39 (d).

(h) (1) Unless otherwise specifically provided, in the case of a taxpayer that is a partner or shareholder of an eligible pass-through entity described in paragraph (2), any credit passed through to the taxpayer in the taxpayer's first taxable year beginning on or after the date the credit is no longer operative may be claimed by the taxpayer in that taxable year, notwithstanding the repeal of the statute authorizing the credit prior to the close of that taxable year.

(2) For purposes of this subdivision, "eligible pass-through entity" means any partnership or "S" corporation that files its return on a fiscal year basis pursuant to Section 18566, and that is entitled to a credit pursuant to this part for the taxable year that begins during the last year the credit is operative.

(3) This subdivision shall apply to credits that become inoperative on or after the operative date of the act adding this subdivision.

SEC. 4. Section 17052.16 is added to the Revenue and Taxation Code, to read:

17052.16. (a) For each taxable year beginning on or after January 1, 2008, there shall be allowed a credit against the "net tax," as defined by Section 17039, an amount, not to exceed the limitation in subdivision (f), that is equal to the sales or use tax paid or incurred by the taxpayer in connection with the purchase of qualified property.

(b) For purposes of this section:

(1) "Taxpayer" means a person or entity engaged in a trade or business that provides primary care services, as defined in subdivision (d) of Section 2201 of the Business and Professions Code, any physician and surgeon licensed pursuant to Section 1900 of the Business and Professions Code, or a primary care midlevel health practitioner, as defined in subdivision (b) of Section 1339.5 of the Health and Safety Code, within a medical enterprise zone.

(2) "Qualified property" means medical equipment up to a value of ~~one hundred thousand dollars (\$100,000)~~ *five hundred thousand dollars (\$500,000)*, that is used exclusively in a medical enterprise zone.

(3) "Medical equipment" includes, but is not limited to, audiometers, EKGs, colposcopes, flexible sigmoidoscopes, pulmonary function machines, microscopes, small refrigerators and incubators, surgical instruments used for minor surgery, biopsies, and sutures, X-ray viewing boxes, chemical analyzers,

1 centrifuges, hematology centrifuges, sphygmomanometers,
2 otoscopes, ophthalmoscopes, adult scales, baby scales, exam room
3 furniture, waiting room furniture, filing cabinets, ~~computers and~~
4 ~~computers, software, and other electronic hardware that will~~
5 ~~improve the quality of care through the use of electronic medical~~
6 ~~records or other information technology~~, printers, computer tables,
7 dictating equipment, and typewriters.

8 (4) “Medical enterprise zone” means an area for which
9 designation as a medical enterprise zone is in effect under Section
10 7093 of the Government Code.

11 (c) (1) In the case where a credit is allowed for qualified
12 property under more than one section in this part, the taxpayer
13 shall make an election, on the return filed for each year, as to which
14 section applies to that taxpayer.

15 (2) Any election made under this section, and any specification
16 contained in that election, may not be revoked except with the
17 consent of the Franchise Tax Board.

18 (d) In the case where the credit allowed under this section
19 exceeds the limitation imposed by subdivision (f) for the taxable
20 year, that portion of the credit that exceeds the limitation imposed
21 by subdivision (f) may be carried over and added to this credit in
22 succeeding taxable years for the number of taxable years in which
23 the designation of a medical enterprise zone is operative, until the
24 credit is used. The credit shall be applied first to the earliest taxable
25 years possible.

26 (e) Any taxpayer who elects to be subject to this section shall
27 not be entitled to increase the basis of the property as otherwise
28 required by Section 164(a) of the Internal Revenue Code with
29 respect to the sales and use tax paid or incurred in connection with
30 the purchase of qualified property.

31 (f) The amount of the credit provided by this section, including
32 any credit carryover from prior years, in any taxable year shall not
33 exceed the amount of tax that would be imposed on the income
34 attributable to business activities of the taxpayer within the medical
35 enterprise zone as if that attributable income represented all of the
36 income of the taxpayer subject to tax under this part. In the event
37 that a credit carryover is allowable under subdivision (d) for any
38 taxable year after the medical enterprise zone designation has
39 expired, the medical enterprise zone shall be deemed to remain in
40 existence for purposes of computing this limitation. The amount

1 of that attributable income shall be determined in accordance with
2 the provisions of Article 2 (commencing with Section 25120) of
3 Chapter 17 of Part 11, modified as follows:

4 (1) Income shall be apportioned to the medical enterprise zone
5 by multiplying total income from the business by a fraction, the
6 numerator of which is the property factor plus the payroll factor,
7 and the denominator of which is two.

8 (2) Medical enterprise zone shall be substituted for “this state.”

9 (g) If the qualified property is disposed of or no longer used by
10 the taxpayer in a medical enterprise zone, at any time before the
11 close of the second taxable year after the property is placed in
12 service, the amount of the credit previously claimed shall be added
13 to the taxpayer’s tax liability in the taxable year of that disposition
14 or nonuse.

15 SEC. 5. Section 17053.16 is added to the Revenue and Taxation
16 Code, to read:

17 17053.16. (a) For each taxable year beginning on or after
18 January 1, 2008, there shall be allowed as credit against the “net
19 tax,” as defined in Section 17039, to a qualified taxpayer for hiring
20 a health care professional during the taxable year. The credit shall
21 be equal to the sum of each of the following:

22 (1) Fifty percent for qualified wages in the first year of
23 employment.

24 (2) Forty percent for qualified wages in the second year of
25 employment.

26 (3) Thirty percent for qualified wages in the third year of
27 employment.

28 (4) Twenty percent for qualified wages in the fourth year of
29 employment.

30 (5) Ten percent for qualified wages in the fifth year of
31 employment.

32 (b) For purposes of this section:

33 (1) “Qualified wages” means the wages paid or incurred by the
34 employer during the taxable year to health care professionals.
35 “Qualified wages” means that portion of hourly wages which does
36 not exceed 150 percent of the minimum wage.

37 (2) “Qualified years one through five wages” means, with
38 respect to any individual, qualified wages received during the
39 60-month period beginning with the day the individual commences
40 employment within a medical enterprise zone.

1 (3) “Minimum wage” means the wage established by the
2 Industrial Welfare Commission as provided for in Chapter 1
3 (commencing with Section 1171) of Part 4 of Division 2 of the
4 Labor Code.

5 (4) “Qualified taxpayer” means a person or entity engaged in a
6 trade or business that provides primary care services as defined in
7 subdivision (d) of Section 2201 of the Business and Professions
8 Code, any physician and surgeon licensed pursuant to Section 1900
9 of the Business and Professions Code, or a primary care midlevel
10 health care practitioner, as defined in subdivision (b) of Section
11 1339.5 of the Health and Safety Code, within a medical enterprise
12 zone.

13 (5) “Health care professional” means an individual:

14 (A) Who is a qualified employee within the meaning of
15 paragraph (6).

16 (B) Who is hired by the employer after the designation of the
17 area in which services were performed as a medical enterprise
18 zone.

19 (C) Who relocated to a medical enterprise zone.

20 (D) Who is any of the following:

21 (i) A primary care physician as defined in Section 14254 of the
22 Welfare and Institutions Code.

23 (ii) A nurse as defined in Section 2725 of the Business and
24 Professions Code.

25 (iii) A physician assistant who is licensed by the Physician
26 Assistant Examining Committee, and who meets the requirements
27 of Chapter 7.7 (commencing with Section 3500) of Division 2 of
28 the Business and Professions Code.

29 (iv) A nurse practitioner licensed under Chapter 6 (commencing
30 with Section 2700) of Division 2 of the Business and Professions
31 Code and who meets the standards for a nurse practitioner
32 established by the Board of Registered Nursing.

33 (6) “Qualified employee” means an individual:

34 (A) At least 90 percent of whose services for the taxpayer during
35 the taxable year are directly related to the conduct of the taxpayer’s
36 trade or business located in a medical enterprise zone.

37 (B) Who performs at least 50 percent of his or her services for
38 the taxpayer during the taxable year in a medical enterprise zone.

1 (7) “Medical enterprise zone” means an area for which
2 designation as a medical enterprise zone is in effect under Section
3 7093 of the Government Code.

4 (8) (A) All employees of trades or businesses that are not
5 incorporated and that are under common control shall be treated
6 as employed by a single employer.

7 (B) The credit, if any, allowable by this section with respect to
8 each trade or business shall be determined by reference to its
9 proportionate share of the qualified wages giving rise to the credit.

10 The regulations prescribed under this paragraph shall be based
11 on principles similar to the principles that apply in the case of
12 controlled groups of corporations as specified in paragraph (8) of
13 subdivision (b) of Section 23622.5.

14 (9) If an employer acquires the major portion of a trade or
15 business of another employer (hereinafter in this paragraph referred
16 to as the “predecessor”) or the major portion of a separate unit of
17 a trade or business of a predecessor, then, for purposes of applying
18 this section, except subdivision (c), for any calendar year ending
19 after that acquisition, the employment relationship between an
20 employee and an employer shall not be treated as terminated if the
21 employee continues to be employed in that trade or business.

22 (10) *Nothing in this section constitutes an expansion of the scope*
23 *of practice of a licensee as designated under a current law.*

24 (c) (1) If the employment of any employee, with respect to
25 whom qualified wages are taken into account under subdivision
26 (a) is terminated by the taxpayer at any time during the first 270
27 days of that employment, whether or not consecutive, or before
28 the close of the 270th calendar day after the day in which that
29 employee completes 90 days of employment with the taxpayer,
30 the tax imposed by this part for the taxable year in which that
31 employment is terminated shall be increased by an amount
32 determined under those regulations equal to the credit allowed
33 under subdivision (a) for that taxable year and all prior taxable
34 years attributable to qualified wages paid or incurred with respect
35 to that employee.

36 (2) (A) Paragraph (1) shall not apply to any of the following:

37 (i) A termination of employment of an employee who voluntarily
38 leaves the employment of the taxpayer.

39 (ii) A termination of employment of an individual who, before
40 the close of the period referred to in paragraph (1), becomes

1 disabled to perform the services of that employment, unless that
2 disability is removed before the close of that period and the
3 taxpayer fails to offer reemployment to that individual.

4 (iii) A termination of employment of an individual, if it is
5 determined under the applicable employment compensation
6 provisions that the termination was due to the misconduct of that
7 individual.

8 (iv) A termination of employment of an individual due to a
9 substantial reduction in the trade or business operations of the
10 taxpayer.

11 (v) A termination of employment of an individual, if that
12 individual is replaced by other qualified employees so as to create
13 a net increase in both the number of employees and the hours of
14 employment.

15 (B) For purposes of paragraph (1), the employment relationship
16 between the taxpayer and an employee shall not be treated as
17 terminated by reason of a mere change in the form of conducting
18 the trade or business of the taxpayer, if the employee continues to
19 be employed in that trade or business and the taxpayer retains a
20 substantial interest in that trade or business.

21 (3) Any increase in tax under paragraph (1) shall not be treated
22 as tax imposed by this part for purposes of determining the amount
23 of any credit allowable under this part.

24 (d) In the case of an estate or trust:

25 (1) The qualified wages for any taxable year shall be apportioned
26 between the estate or trust and the beneficiaries on the basis of the
27 income of the estate or trust allocable to each.

28 (2) Any beneficiary to whom any qualified wages have been
29 apportioned under paragraph (1) shall be treated, for purposes of
30 this part, as the employer with respect to those wages.

31 (e) The credit shall be reduced by the credit allowed under
32 Sections 17053.7, 17053.8, 17053.10, 17053.11, 17053.17, and
33 17053.46. The credit shall also be reduced by the federal credit
34 allowed under Section 51 of the Internal Revenue Code.

35 In addition, any deduction otherwise allowed under this part for
36 the wages or salaries paid or incurred by the taxpayer upon which
37 the credit is based shall be reduced by the amount of the credit.

38 (f) In the case where the credit allowed under this section
39 exceeds the limitation imposed by subdivision (g) for the taxable
40 year, that portion of the credit that exceeds the limitation imposed

1 by subdivision (g) may be carried over and added to this credit in
2 succeeding taxable years while the designation of the medical
3 enterprise zone is operative or 15 taxable years, if longer, until the
4 credit is used. The credit shall be applied first to the earliest taxable
5 years possible.

6 (g) The amount of the credit provided by this section, including
7 any credit carryover from prior years, in any taxable year shall not
8 exceed the amount of tax that would be imposed on the income
9 attributable to business activities of the taxpayer within the medical
10 enterprise zone as if that attributable income represented all of the
11 income of the taxpayer subject to tax under this part. In the event
12 that a credit carryover is allowable under subdivision (f) for any
13 taxable year after the medical enterprise zone designation has
14 expired, the medical enterprise zone shall be deemed to remain in
15 existence for purposes of computing this limitation. The amount
16 of that attributable income shall be determined in accordance with
17 the provisions of Article 2 (commencing with Section 25120) of
18 Chapter 17 of Part 11, modified as follows:

19 (1) Income shall be apportioned to the medical enterprise zone
20 by multiplying total income from the business by a fraction, the
21 numerator of which is the property factor plus the payroll factor,
22 and the denominator of which is two.

23 (2) Medical enterprise zone shall be substituted for “this state.”

24 SEC. 6. Section 17053.17 is added to the Revenue and Taxation
25 Code, to read:

26 17053.17. (a) For each taxable year beginning on or after
27 January 1, 2008, there shall be allowed as a credit against the “net
28 tax,” as defined in Section 17039, to a qualified taxpayer _____
29 percent of the qualified amount for the support of a qualified
30 primary care residency training program.

31 (b) For purposes of this section:

32 (1) “Medical enterprise zone” means an area for which
33 designation as a medical enterprise zone is in effect under Section
34 7093 of the Government Code.

35 (2) “Qualified amount” means the costs paid or incurred by a
36 qualified taxpayer for the support of a qualified primary care
37 residency training program.

38 (3) “Qualified primary care residency training program” means
39 a primary care residency training program located and operating
40 in a medical enterprise zone.

(4) “Qualified taxpayer” means a person or entity that is lawfully engaged in providing, arranging, paying for, or reimbursing the cost of personal health care services under insurance policies or contracts, medical and hospital service arrangements, or membership contracts, in consideration of premiums or other periodic charges payable to it.

(c) In the case where the credit allowed by this section exceeds the “net tax,” the excess may be carried over to reduce the “net tax” in succeeding years, until the credit is exhausted.

SEC. 7. Section 23036 of the Revenue and Taxation Code is amended to read:

23036. (a) (1) The term “tax” includes any of the following:

(A) The tax imposed under Chapter 2 (commencing with Section 23101).

(B) The tax imposed under Chapter 3 (commencing with Section 23501).

(C) The tax on unrelated business taxable income, imposed under Section 23731.

(D) The tax on S corporations imposed under Section 23802.

(2) The term “tax” does not include any amount imposed under paragraph (1) of subdivision (e) of Section 24667 or paragraph (2) of subdivision (f) of Section 24667.

(b) For purposes of Article 5 (commencing with Section 18661) of Chapter 2, Article 3 (commencing with Section 19031) of Chapter 4, Article 6 (commencing with Section 19101) of Chapter 4, and Chapter 7 (commencing with Section 19501) of Part 10.2, and for purposes of Sections 18601, 19001, and 19005, the term “tax” also includes all of the following:

(1) The tax on limited partnerships, imposed under Section 17935, the tax on limited liability companies, imposed under Section 17941, and the tax on registered limited liability partnerships and foreign limited liability partnerships imposed under Section 17948.

(2) The alternative minimum tax imposed under Chapter 2.5 (commencing with Section 23400).

(3) The tax on built-in gains of “S” corporations, imposed under Section 23809.

(4) The tax on excess passive investment income of S corporations, imposed under Section 23811.

1 (c) Notwithstanding any other provision of this part, credits are
2 allowed against the “tax” in the following order:

3 (1) Credits that do not contain carryover provisions.

4 (2) Credits that, when the credit exceeds the “tax,” allow the
5 excess to be carried over to offset the “tax” in succeeding taxable
6 years, except for those credits that are allowed to reduce the “tax”
7 below the tentative minimum tax, as defined by Section 23455.
8 The order of credits within this paragraph shall be determined by
9 the Franchise Tax Board.

10 (3) The minimum tax credit allowed by Section 23453.

11 (4) Credits that are allowed to reduce the “tax” below the
12 tentative minimum tax, as defined by Section 23455.

13 (5) Credits for taxes withheld under Section 18662.

14 (d) Notwithstanding any other provision of this part, each of
15 the following applies:

16 (1) No credit may reduce the “tax” below the tentative minimum
17 tax (as defined by paragraph (1) of subdivision (a) of Section
18 23455), except the following credits:

19 (A) The credit allowed by former Section 23601 (relating to
20 solar energy).

21 (B) The credit allowed by former Section 23601.4 (relating to
22 solar energy).

23 (C) The credit allowed by former Section 23601.5 (relating to
24 solar energy).

25 (D) The credit allowed by Section 23609 (relating to research
26 expenditures).

27 (E) The credit allowed by former Section 23609.5 (relating to
28 clinical testing expenses).

29 (F) The credit allowed by Section 23610.5 (relating to
30 low-income housing).

31 (G) The credit allowed by former Section 23612 (relating to
32 sales and use tax credit).

33 (H) The credit allowed by Section 23612.2 (relating to enterprise
34 zone sales or use tax credit).

35 (I) The credit allowed by Section 23612.3 (relating to medical
36 enterprise zone sales and use tax credit).

37 (J) The credit allowed by former Section 23612.6 (relating to
38 Los Angeles Revitalization Zone sales tax credit).

39 (K) The credit allowed by former Section 23622 (relating to
40 enterprise zone hiring credit).

1 (L) The credit allowed by Section 23622.7 (relating to enterprise
2 zone hiring credit).

3 (M) The credit allowed by former Section 23623 (relating to
4 program area hiring credit).

5 (N) The credit allowed by former Section 23623.5 (relating to
6 Los Angeles Revitalization Zone hiring credit).

7 (O) The credit allowed by former Section 23625 (relating to
8 Los Angeles Revitalization Zone hiring credit).

9 (P) The credit allowed by Section 23633 (relating to targeted
10 tax area sales or use tax credit).

11 (Q) The credit allowed by Section 23634 (relating to targeted
12 tax area hiring credit).

13 (R) The credit allowed by Section 23649 (relating to qualified
14 property).

15 (2) No credit against the tax may reduce the minimum franchise
16 tax imposed under Chapter 2 (commencing with Section 23101).

17 (e) Any credit which is partially or totally denied under
18 subdivision (d) is allowed to be carried over to reduce the “tax”
19 in the following year, and succeeding years if necessary, if the
20 provisions relating to that credit include a provision to allow a
21 carryover of the unused portion of that credit.

22 (f) Unless otherwise provided, any remaining carryover from a
23 credit that has been repealed or made inoperative is allowed to be
24 carried over under the provisions of that section as it read
25 immediately prior to being repealed or becoming inoperative.

26 (g) Unless otherwise provided, if two or more taxpayers share
27 in costs that would be eligible for a tax credit allowed under this
28 part, each taxpayer is eligible to receive the tax credit in proportion
29 to his or her respective share of the costs paid or incurred.

30 (h) Unless otherwise provided, in the case of an “S” corporation,
31 any credit allowed by this part is computed at the “S” corporation
32 level, and any limitation on the expenses qualifying for the credit
33 or limitation upon the amount of the credit applies to the “S”
34 corporation and to each shareholder.

35 (i) (1) With respect to any taxpayer that directly or indirectly
36 owns an interest in a business entity that is disregarded for tax
37 purposes pursuant to Section 23038 and any regulations thereunder,
38 the amount of any credit or credit carryforward allowable for any
39 taxable year attributable to the disregarded business entity is limited
40 in accordance with paragraphs (2) and (3).

(2) The amount of any credit otherwise allowed under this part, including any credit carryover from prior years, that may be applied to reduce the taxpayer's "tax," as defined in subdivision (a), for the taxable year is limited to an amount equal to the excess of the taxpayer's regular tax (as defined in Section 23455), determined by including income attributable to the disregarded business entity that generated the credit or credit carryover, over the taxpayer's regular tax (as defined in Section 23455), determined by excluding the income attributable to that disregarded business entity. No credit is allowed if the taxpayer's regular tax (as defined in Section 23455), determined by including the income attributable to the disregarded business entity is less than the taxpayer's regular tax (as defined in Section 23455), determined by excluding the income attributable to the disregarded business entity.

(3) If the amount of a credit allowed pursuant to the section establishing the credit exceeds the amount allowable under this subdivision in any taxable year, the excess amount may be carried over to subsequent taxable years pursuant to subdivisions (d), (e), and (f).

(j) (1) Unless otherwise specifically provided, in the case of a taxpayer that is a partner or shareholder of an eligible pass-through entity described in paragraph (2), any credit passed through to the taxpayer in the taxpayer's first taxable year beginning on or after the date the credit is no longer operative may be claimed by the taxpayer in that taxable year, notwithstanding the repeal of the statute authorizing the credit prior to the close of that taxable year.

(2) For purposes of this subdivision, "eligible pass-through entity" means any partnership or "S" corporation that files its return on a fiscal year basis pursuant to Section 18566, and that is entitled to a credit pursuant to this part for the taxable year that begins during the last year a credit is operative.

(3) This subdivision applies to credits that become inoperative on or after the operative date of the act adding this subdivision.

SEC. 8. Section 23612.3 is added to the Revenue and Taxation Code, to read:

23612.3. (a) For each taxable year beginning on or after January 1, 2008, there shall be allowed a credit against the "tax," as defined by Section 23036, an amount, not to exceed the limitation in subdivision (f), that is equal to the sales or use tax

1 paid or incurred by the taxpayer in connection with the purchase
2 of qualified property.

3 (b) For purposes of this section:

4 (1) "Taxpayer" means an entity engaged in a trade or business
5 that provides primary care services as defined in subdivision (d)
6 of Section 2201 of the Business and Professions Code, within a
7 medical enterprise zone.

8 (2) "Qualified property" means medical equipment, up to a
9 value of twenty million dollars (\$20,000,000), that is used
10 exclusively in a medical enterprise zone.

11 (3) "Medical equipment" includes, but is not limited to,
12 audiometers, EKGs, colposcopes, flexible sigmoidoscopes,
13 pulmonary function machines, microscopes, small refrigerators
14 and incubators, surgical instruments used for minor surgery,
15 biopsies, and sutures, X-ray viewing boxes, chemical analyzers,
16 centrifuges, hematocut centrifuges, sphygmomanometers,
17 otoscopes, ophthalmoscopes, adult scales, baby scales, exam room
18 furniture, waiting room furniture, filing cabinets, ~~computers and~~
19 *computers, software, and other electronic hardware that will*
20 *improve the quality of care through the use of electronic medical*
21 *records or other information technology*, printers, computer tables,
22 dictating equipment, and typewriters.

23 (4) "Medical enterprise zone" means an area for which
24 designation as a medical enterprise zone is in effect under Section
25 7073 of the Government Code.

26 (c) (1) In the case where a credit is allowed for qualified
27 property under more than one section in this part, the taxpayer
28 shall make an election, on the return filed for each year, as to which
29 section applies to that taxpayer.

30 (2) Any election made under this section and any specification
31 contained in that election, may not be revoked except with the
32 consent of the Franchise Tax Board.

33 (d) In the case where the credit allowed under this section
34 exceeds the limitation imposed by subdivision (f) for the taxable
35 year, that portion of the credit that exceeds the limitation imposed
36 by subdivision (f) may be carried over and added to this credit in
37 succeeding taxable years for the number of taxable years in which
38 the designation of a medical enterprise zone is operative, until the
39 credit is used. The credit shall be applied first to the earliest taxable
40 years possible.

1 (e) Any taxpayer who elects to be subject to this section shall
2 not be entitled to increase the basis of the property as otherwise
3 required by Section 164(a) of the Internal Revenue Code with
4 respect of the sales and use tax paid or incurred in connection with
5 the purchase of qualified property.

6 (f) The amount of the credit provided by this section, including
7 any credit carryover from prior years, in any taxable year shall not
8 exceed the amount of tax that would be imposed on the income
9 attributable to business activities of the taxpayer within the medical
10 enterprise zone as if that attributable income represented all of the
11 income of the taxpayer subject to tax under this part. In the event
12 that a credit carryover is allowable under subdivision (d) for any
13 taxable year after the medical enterprise zone designation has
14 expired, the medical enterprise zone shall be deemed to remain in
15 existence for purposes of computing this limitation. The amount
16 of that attributable income shall be determined in accordance with
17 the provisions of Article 2 (commencing with Section 25120) of
18 Chapter 17 of Part 11, modified as follows:

19 (1) Income shall be apportioned to the medical enterprise zone
20 by multiplying total income from the business by a fraction, the
21 numerator of which is the property factor plus the payroll factor,
22 and the denominator of which is two.

23 (2) Medical enterprise zone shall be substituted for “this state.”

24 (g) If the qualified property is disposed of or no longer used by
25 the taxpayer in a medical enterprise zone, at any time before the
26 close of the second taxable year after the property is placed in
27 service, the amount of the credit previously claimed shall be added
28 to the taxpayer’s tax liability in the taxable year of that disposition
29 or nonuse.

30 SEC. 9. Section 23612.5 is added to the Revenue and Taxation
31 Code, to read:

32 23612.5. (a) For each income year beginning on or after
33 January 1, 2008, there shall be allowed as a credit against the “tax,”
34 as defined by Section 23036, to a qualified taxpayer for hiring a
35 health care professional during the income year. The credit shall
36 be equal to the sum of each of the following:

37 (1) Fifty percent for qualified wages in the first year of
38 employment.

39 (2) Forty percent for qualified wages in the second year of
40 employment.

1 (3) Thirty percent for qualified wages in the third year of
2 employment.

3 (4) Twenty percent for qualified wages in the fourth year of
4 employment.

5 (5) Ten percent for qualified wages in the fifth year of
6 employment.

7 (b) For purposes of this section:

8 (1) “Qualified wages” means the wages paid or incurred by the
9 employer during the taxable year to health care professionals.

10 “Qualified wages” means that portion of hourly wages which does
11 not exceed 150 percent of the minimum wage.

12 (2) “Qualified years one through five wages” means, with
13 respect to any individual, qualified wages received during the
14 60-month period beginning with the day the individual commences
15 employment within a medical enterprise zone.

16 (3) “Minimum wage” means the wage established by the
17 Industrial Welfare Commission as provided for in Chapter 1
18 (commencing with Section 1171) of Part 4 of Division 2 of the
19 Labor Code.

20 (4) “Qualified taxpayer” means a person or entity engaged in a
21 trade or business that provides primary care services as defined in
22 subdivision (d) of Section 2201 of the Business and Professions
23 Code, any physician and surgeon licensed pursuant to Section 1900
24 of the Business and Professions Code, or a primary care midlevel
25 health care practitioner, as defined in subdivision (b) of Section
26 1339.5 of the Health and Safety Code, within a medical enterprise
27 zone.

28 (5) “Health care professional” means an individual who is any
29 of the following:

30 (A) A qualified employee within the meaning of paragraph (6).

31 (B) Hired by the employer after the designation of the area in
32 which services were performed as a medical enterprise zone.

33 (C) Relocated to a medical enterprise zone.

34 (D) Is any of the following:

35 (i) A primary care physician as defined in Section 14254 of the
36 Welfare and Institutions Code.

37 (ii) A nurse as defined in Section 2725 of the Business and
38 Professions Code.

39 (iii) A physician assistant who is licensed by the Physician
40 Assistant Examining Committee, and who meets the requirements

1 of Chapter 7.7 (commencing with Section 3500) of Division 2 of
2 the Business and Professions Code.

3 (iv) A nurse practitioner licensed under Chapter 6 (commencing
4 with Section 2700) of Division 2 of the Business and Professions
5 Code and who meets the standards for a nurse practitioner
6 established by the Board of Registered Nursing.

7 (6) “Qualified employee” means an individual:

8 (A) At least 90 percent of whose services for the taxpayer during
9 the taxable year are directly related to the conduct of the taxpayer’s
10 trade or business located in a medical enterprise zone.

11 (B) Who performs at least 50 percent of his or her services for
12 the taxpayer during the taxable year in a medical enterprise zone.

13 (7) “Medical enterprise zone” means an area for which
14 designation as a medical enterprise zone is in effect under Section
15 7093 of the Government Code.

16 (8) (A) All employees of trades or businesses that are not
17 incorporated and that are under common control shall be treated
18 as employed by a single employer.

19 (B) The credit, if any, allowable by this section with respect to
20 each trade or business shall be determined by reference to its
21 proportionate share of the qualified wages giving rise to the credit.

22 The regulations prescribed under this paragraph shall be based
23 on principles similar to the principles that apply in the case of
24 controlled groups of corporations as specified in paragraph (8) of
25 subdivision (b) of Section 23622.5.

26 (9) If an employer acquires the major portion of a trade or
27 business of another employer (hereinafter in this paragraph referred
28 to as the “predecessor”) or the major portion of a separate unit of
29 a trade or business of a predecessor, then, for purposes of applying
30 this section, except subdivision (c), for any calendar year ending
31 after that acquisition, the employment relationship between an
32 employee and an employer shall not be treated as terminated if the
33 employee continues to be employed in that trade or business.

34 (10) *Nothing in this section constitutes an expansion of the scope*
35 *of practice of a licensee as designated under a current law.*

36 (c) (1) If the employment of any employee, with respect to
37 whom qualified wages are taken into account under subdivision
38 (a) is terminated by the taxpayer at any time during the first 270
39 days of that employment, whether or not consecutive, or before
40 the close of the 270th calendar day after the day in which that

1 employee completes 90 days of employment with the taxpayer,
2 the tax imposed by this part for the taxable year in which that
3 employment is terminated shall be increased by an amount
4 determined under those regulations equal to the credit allowed
5 under subdivision (a) for that taxable year and all prior taxable
6 years attributable to qualified wages paid or incurred with respect
7 to that employee.

8 (2) (A) Paragraph (1) shall not apply to any of the following:

9 (i) A termination of employment of an employee who voluntarily
10 leaves the employment of the taxpayer.

11 (ii) A termination of employment of an individual who, before
12 the close of the period referred to in paragraph (1), becomes
13 disabled to perform the services of that employment, unless that
14 disability is removed before the close of that period and the
15 taxpayer fails to offer reemployment to that individual.

16 (iii) A termination of employment of an individual, if it is
17 determined under the applicable employment compensation
18 provisions that the termination was due to the misconduct of that
19 individual.

20 (iv) A termination of employment of an individual due to a
21 substantial reduction in the trade or business operations of the
22 taxpayer.

23 (v) A termination of employment of an individual, if that
24 individual is replaced by other qualified employees so as to create
25 a net increase in both the number of employees and the hours of
26 employment.

27 (B) For purposes of paragraph (1), the employment relationship
28 between the taxpayer and an employee shall not be treated as
29 terminated by reason of a mere change in the form of conducting
30 the trade or business of the taxpayer, if the employee continues to
31 be employed in that trade or business and the taxpayer retains a
32 substantial interest in that trade or business.

33 (3) Any increase in tax under paragraph (1) shall not be treated
34 as tax imposed by this part for purposes of determining the amount
35 of any credit allowable under this part.

36 (d) In the case of an estate or trust:

37 (1) The qualified wages for any taxable year shall be apportioned
38 between the estate or trust and the beneficiaries on the basis of the
39 income of the estate or trust allocable to each.

1 (2) Any beneficiary to whom any qualified wages have been
2 apportioned under paragraph (1) shall be treated, for purposes of
3 this part, as the employer with respect to those wages.

4 (e) The credit shall be reduced by the credit allowed under
5 Sections 17053.7, 17053.8, 17053.10, 17053.11, 17053.17, and
6 17053.46. The credit shall also be reduced by the federal credit
7 allowed under Section 51 of the Internal Revenue Code.

8 In addition, any deduction otherwise allowed under this part for
9 the wages or salaries paid or incurred by the taxpayer upon which
10 the credit is based shall be reduced by the amount of the credit.

11 (f) In the case where the credit allowed under this section
12 exceeds the limitation imposed by subdivision (g) for the taxable
13 year, that portion of the credit that exceeds the limitation imposed
14 by subdivision (g) may be carried over and added to this credit in
15 succeeding taxable years while the designation of the medical
16 enterprise zone is operative or 15 taxable years, if longer, until the
17 credit is used. The credit shall be applied first to the earliest taxable
18 years possible.

19 (g) The amount of the credit provided by this section, including
20 any credit carryover from prior years, in any taxable year shall not
21 exceed the amount of tax that would be imposed on the income
22 attributable to business activities of the taxpayer within the medical
23 enterprise zone as if that attributable income represented all of the
24 income of the taxpayer subject to tax under this part. In the event
25 that a credit carryover is allowable under subdivision (f) for any
26 taxable year after the medical enterprise zone designation has
27 expired, the medical enterprise zone shall be deemed to remain in
28 existence for purposes of computing this limitation. The amount
29 of that attributable income shall be determined in accordance with
30 the provisions of Article 2 (commencing with Section 25120) of
31 Chapter 17 of Part 11, modified as follows:

32 (1) Income shall be apportioned to the medical enterprise zone
33 by multiplying total income from the business by a fraction, the
34 numerator of which is the property factor plus the payroll factor,
35 and the denominator of which is two.

36 (2) Medical enterprise zone shall be substituted for “this state.”

37 SEC. 10. Section 23612.6 is added to the Revenue and Taxation
38 Code, to read:

39 23612.6. (a) For each taxable year beginning on or after
40 January 1, 2008, there shall be allowed as a credit against the “tax,”

1 as defined in Section 23036, to a qualified taxpayer _____ percent
2 of the qualified amount for the support of a qualified primary care
3 residency training program.

4 (b) For purposes of this section:

5 (1) “Medical enterprise zone” means an area for which
6 designation as a medical enterprise zone is in effect under Section
7 7093 of the Government Code.

8 (2) “Qualified amount” means the costs paid or incurred by a
9 qualified taxpayer for the support of a qualified primary care
10 residency training program.

11 (3) “Qualified primary care residency training program” means
12 a primary care residency training program located and operating
13 in a medical enterprise zone.

14 (4) “Qualified taxpayer” means a person or entity that is lawfully
15 engaged in providing, arranging, paying for, or reimbursing the
16 cost of personal health care services under insurance policies or
17 contracts, medical and hospital service arrangements, or
18 membership contracts, in consideration of premiums or other
19 periodic charges payable to it.

20 (c) In the case where the credit allowed by this section exceeds
21 the “tax,” the excess may be carried over to reduce the “tax” in
22 succeeding years, until the credit is exhausted.